

From: James Capalino [<mailto:james@capalino.com>]
Sent: Thursday, October 11, 2012 08:51 AM
To: Joey Kara Koch
Cc: Brooke Schafran <brooke@capalino.com>
Subject: Request for Advice

Dear Joey, it's been some time since we have spoken and I now would appreciate your assistance on a matter a not for profit client has raised with me.

This not-for-profit organization with a long term care mission owns a building that it purchased from the City by deed containing a restriction on the use of the building (the deed restriction was imposed by DCAS, not through ULURP). Because of changes in the way care is delivered and changes in reimbursement, the facility that it operates in the building may no longer be viable in the coming years, and the organization would like to explore removing the restriction so that the asset can be sold, with the proceeds to be used by the organization to continue its mission in other, more modern and viable ways.

If the organization has to pay the difference between the appraised value of the asset with the restriction and the appraised value without the restriction, it may well be unable to afford the removal of the restriction. Is there some way to have the restriction removed from the deed without the NFP organization paying the difference in the appraised value of the building with and without the deed restriction so that the asset can be sold, freeing up money for the organization to use for programs that serve its mission? I believe that the NYC Dept. of Health will attest to DCAS that this organization plays a mission critical role in the delivery of AIDS/HIV prevention services in NYC.

May I call you to discuss?

Thanks.

Jim

James F. Capalino
Capalino+Company
The Woolworth Building
233 Broadway, Suite 850
New York, NY 10279-0001
Office: 212-616-5811
Cell: 917-859-6245
[facebook.com/capalino](https://www.facebook.com/capalino)
www.capalino.com

From: Gallent, Judith
Sent: Tuesday, November 06, 2012 10:33 AM
To: 'jkoch@dcas.nyc.gov'
Cc: 'James Capalino'
Subject: 45 Rivington Street - Follow-up

Dear Ms. Koch-

Thank you for speaking with me and Jim Capalino on October 25 about 45 Rivington Street, which is owned by Rivington House - The Nicholas A. Rango Healthcare Facility ("Rivington House"), a New York not-for-profit organization serving persons living with HIV/AIDS. Rivington House and its affiliated not-for-profit entities (all subsidiaries of VillageCare, a New York not-for-profit corporation and charitable support organization) provide a range of residential and community-based services to persons living with HIV/AIDS, seniors, and other individuals in need of continuing care and rehabilitation services.

45 Rivington Street (Block 420, Lot 47) was purchased from the City in 1992 pursuant to a deed that contains a restriction limiting use of the property to "a not-for-profit 'Residential Health Care Facility' as such use is defined in the New York State Public Health Law or successor statutes, and uses ancillary thereto." Rivington House has operated the building at 45 Rivington as a residential AIDS treatment facility since January 1995. However, with changes in the way AIDS treatment is delivered, including the declining need for long term skilled residential care due to improved effectiveness of HIV/AIDS treatment, and corresponding changes in reimbursement policies, Rivington House is exploring alternative ways of serving the chronically ill so that the most effective and beneficial use is made of its limited resources.

As we discussed, Rivington House is interested in exploring two potential alternative scenarios for the property:

- 1) removal of the use restriction from the deed to enable Rivington House to sell the property for any use, with the proceeds of the sale going toward funding other programs operated by Rivington House or its not-for-profit affiliates that serve chronically-ill individuals in the community; or
- 2) modification of the use restriction to enable Rivington House to sell the facility to a **for-profit** entity for use as a Residential Health Care Facility. The reason Rivington House would seek this modification is that, based upon reliable information, there are no longer, nor are there likely to be in the near future, any not-for-profit purchasers in the market for residential health care facilities in Manhattan.

With respect to the first scenario, which would involve the removal of the use restriction in its entirety, we understand that such removal is typically accomplished through an appraisal process in which the value of the property as restricted would be compared to the value of the property unrestricted, with the owner paying the City the difference in value. If the difference in value in this case is beyond Rivington House's ability to pay, or if the payment required is too great, there would be insufficient funding available to support the continuation of Rivington House's mission through other, much needed, programs. Could the City remove the deed restriction to allow an unrestricted sale of the property without Rivington House paying the difference in the appraised values, with the proceeds of the sale going toward Rivington House's or its not-for-profit affiliates' other programs? We believe that Rivington House would have the support of the community and the State Department of Health for such a solution. If this is possible, what is the nature of the process and approximately how long would it take?

With respect to the second scenario, what is the process for modifying the use restriction so that it can be sold to a for-profit residential health care facility operator, a solution that we believe also would have the support of the community and the State Department of Health?

Thank you for your assistance. I look forward to your guidance.

Judith M. Gallent, Esq.
Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
212-541-2389
Fax: 212-541-1389
jmgallent@bryancave.com
www.bryancave.com

This electronic message is from a law firm. It may contain confidential or privileged information. If you received this transmission in error, please reply to the sender to advise of the error and delete this transmission and any attachments.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

bcllp2012

From: Gallent, Judith [<mailto:JMGallent@bryancave.com>]
Sent: Thursday, November 15, 2012 12:17 PM
To: Joey Kara Koch
Cc: Randal Fong
Subject: RE: 45 Rivington Street - Follow-up

Many thanks for your help.

Judy

From: Joey Kara Koch [<mailto:jkoch@dcas.nyc.gov>]
Sent: Thursday, November 15, 2012 12:15 PM
To: Gallent, Judith
Cc: Randal Fong
Subject: Re: 45 Rivington Street - Follow-up

Yes I've been dealing with hurricane related matters for the past two and half weeks. Hopefully I'll have more information shortly. Thanks for your understanding.

Sent from my iPad

On Nov 15, 2012, at 12:13 PM, "Gallent, Judith" <JMGallent@bryancave.com> wrote:

Ms. Koch-

I am following-up on my email of November 6 (below). My clients are anxious to understand their options as described below. You are undoubtedly very busy with hurricane-related issues, but I hope you can respond to my inquiry, which stemmed from our conversation on October 25.

Thank you again for your assistance.

Judith M. Gallent, Esq.
Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
212-541-2389
Fax: 212-541-1389
jmgallent@bryancave.com
www.bryancave.com

From: Gallent, Judith
Sent: Tuesday, November 06, 2012 10:33 AM
To: 'jkoch@dcas.nyc.gov'
Cc: 'James Capalino'
Subject: 45 Rivington Street - Follow-up

Dear Ms. Koch-

Thank you for speaking with me and Jim Capalino on October 25 about 45 Rivington Street, which is owned by Rivington House - The Nicholas A. Rango Healthcare Facility ("Rivington House"), a New York not-for-profit organization serving persons living with HIV/AIDS. Rivington House and its affiliated not-for-profit entities (all subsidiaries of VillageCare, a New York not-for-profit corporation and charitable support organization) provide a range of residential and community-based services to persons living with HIV/AIDS, seniors, and other individuals in need of continuing care and rehabilitation services.

45 Rivington Street (Block 420, Lot 47) was purchased from the City in 1992 pursuant to a deed that contains a restriction limiting use of the property to "a not-for-profit 'Residential Health Care Facility' as such use is defined in the New York State Public Health Law or successor statutes, and uses ancillary thereto." Rivington House has operated the building at 45 Rivington as a residential AIDS treatment facility since January 1995. However, with changes in the way AIDS treatment is delivered, including the declining need for long term skilled residential care due to improved effectiveness of HIV/AIDS treatment, and corresponding changes in reimbursement policies, Rivington House is exploring alternative ways of serving the chronically ill so that the most effective and beneficial use is made of its limited resources.

As we discussed, Rivington House is interested in exploring two potential alternative scenarios for the property:

- 1) removal of the use restriction from the deed to enable Rivington House to sell the property for any use, with the proceeds of the sale going toward funding other programs operated by Rivington House or its not-for-profit affiliates that serve chronically-ill individuals in the community; or
- 2) modification of the use restriction to enable Rivington House to sell the facility to a **for-profit** entity for use as a Residential Health Care Facility. The reason Rivington House would seek this modification is that, based upon reliable information, there are no longer, nor are there likely to be in the near future, any not-for-profit purchasers in the market for residential health care facilities in Manhattan.

With respect to the first scenario, which would involve the removal of the use restriction in its entirety, we understand that such removal is typically accomplished through an appraisal process in which the value of the property as restricted would be compared to the value of the property unrestricted, with the owner paying the City the difference in value. If the difference in value in this case is beyond Rivington House's ability to pay, or if the payment required is too great, there would be insufficient funding available to support the continuation of Rivington House's mission through other, much needed, programs. Could the City remove the deed restriction to allow an unrestricted sale of the property without Rivington House paying the difference in the appraised values, with the proceeds of the sale going toward Rivington House's or its not-for-profit affiliates' other programs? We believe that Rivington House would have the support of the community and the State Department of Health for such a solution. If this is possible, what is the nature of the process and approximately how long would it take?

With respect to the second scenario, what is the process for modifying the use restriction so that it can be sold to a for-profit residential health care facility operator, a solution that we believe also would have the support of the community and the State Department of Health?

Thank you for your assistance. I look forward to your guidance.

Judith M. Gallent, Esq.
Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
212-541-2389
Fax: 212-541-1389
jmgallent@bryancave.com
www.bryancave.com

This electronic message is from a law firm. It may contain confidential or privileged information. If you received this transmission in error, please reply to the sender to advise of the error and delete this transmission and any attachments.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.
bcllp2012

From: Gallent, Judith [mailto:JMGallent@bryancave.com]
Sent: Monday, January 14, 2013 12:32 PM
To: Joey Kara Koch
Cc: Randal Fong
Subject: RE: 45 Rivington Street - Follow-up

Ms. Koch-

I am re-forwarding the emails below as explained in my voice mail message. I look forward to your guidance.

Thank you in advance for your assistance.
Judy

Judith M. Gallent, Esq.
Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
212-541-2389
Fax: 212-541-1389
jmgallent@bryancave.com
www.bryancave.com

From: Joey Kara Koch [mailto:jkoch@dcas.nyc.gov]
Sent: Thursday, November 15, 2012 12:15 PM
To: Gallent, Judith
Cc: Randal Fong
Subject: Re: 45 Rivington Street - Follow-up

Yes I've been dealing with hurricane related matters for the past two and half weeks. Hopefully I'll have more information shortly. Thanks for your understanding.

Sent from my iPad

On Nov 15, 2012, at 12:13 PM, "Gallent, Judith" <JMGallent@bryancave.com> wrote:

Ms. Koch-

I am following-up on my email of November 6 (below). My clients are anxious to understand their options as described below. You are undoubtedly very busy with hurricane-related issues, but I hope you can respond to my inquiry, which stemmed from our conversation on October 25.

Thank you again for your assistance.

Judith M. Gallent, Esq.
Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
212-541-2389
Fax: 212-541-1389
jmgallent@bryancave.com
www.bryancave.com

From: Gallent, Judith
Sent: Tuesday, November 06, 2012 10:33 AM
To: 'Jkoch@dcas.nyc.gov'
Cc: 'James Capalino'
Subject: 45 Rivington Street - Follow-up

Dear Ms. Koch-

Thank you for speaking with me and Jim Capalino on October 25 about 45 Rivington Street, which is owned by Rivington House - The Nicholas A. Rango Healthcare Facility ("Rivington House"), a New York not-for-profit organization serving persons living with HIV/AIDS. Rivington House and its affiliated not-for-profit entities (all subsidiaries of VillageCare, a New York not-for-profit corporation and charitable support organization) provide a range of residential and community-based services to persons living with HIV/AIDS, seniors, and other individuals in need of continuing care and rehabilitation services.

45 Rivington Street (Block 420, Lot 47) was purchased from the City in 1992 pursuant to a deed that contains a restriction limiting use of the property to "a not-for-profit 'Residential Health Care Facility' as such use is defined in the New York State Public Health Law or successor statutes, and uses ancillary thereto." Rivington House has operated the building at 45 Rivington as a residential AIDS treatment facility since January 1995. However, with changes in the way AIDS treatment is delivered, including the declining need for long term skilled residential care due to improved effectiveness of HIV/AIDS treatment, and corresponding changes in reimbursement policies, Rivington House is exploring alternative ways of serving the chronically ill so that the most effective and beneficial use is made of its limited resources.

As we discussed, Rivington House is interested in exploring two potential alternative scenarios for the property:

- 1) removal of the use restriction from the deed to enable Rivington House to sell the property for any use, with the proceeds of the sale going toward funding other programs

operated by Rivington House or its not-for-profit affiliates that serve chronically-ill individuals in the community; or

2) modification of the use restriction to enable Rivington House to sell the facility to a **for-profit** entity for use as a Residential Health Care Facility. The reason Rivington House would seek this modification is that, based upon reliable information, there are no longer, nor are there likely to be in the near future, any not-for-profit purchasers in the market for residential health care facilities in Manhattan.

With respect to the first scenario, which would involve the removal of the use restriction in its entirety, we understand that such removal is typically accomplished through an appraisal process in which the value of the property as restricted would be compared to the value of the property unrestricted, with the owner paying the City the difference in value. If the difference in value in this case is beyond Rivington House's ability to pay, or if the payment required is too great, there would be insufficient funding available to support the continuation of Rivington House's mission through other, much needed, programs. Could the City remove the deed restriction to allow an unrestricted sale of the property without Rivington House paying the difference in the appraised values, with the proceeds of the sale going toward Rivington House's or its not-for-profit affiliates' other programs? We believe that Rivington House would have the support of the community and the State Department of Health for such a solution. If this is possible, what is the nature of the process and approximately how long would it take?

With respect to the second scenario, what is the process for modifying the use restriction so that it can be sold to a for-profit residential health care facility operator, a solution that we believe also would have the support of the community and the State Department of Health?

Thank you for your assistance. I look forward to your guidance.

Judith M. Gallent, Esq.
Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
212-541-2389
Fax: 212-541-1389
jmgallent@bryancave.com
www.bryancave.com

This electronic message is from a law firm. It may contain confidential or privileged information. If you received this transmission in error, please reply to the sender to advise of the error and delete this transmission and any attachments.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

bolp2012

From: Jeremy Orloff [<mailto:jeremy@capalino.com>]

Sent: Thursday, February 13, 2014 3:18 PM

To: Sally Renfro (DCAS)

Cc: Lindsay Marks

Subject: Jim Capalino Meeting Re: Rivington House - The Nicholas A. Rango Healthcare Facility

Dear Sally,

Thank you for our conversation this morning. Please let me know when Commissioner Cumberbatch can meet with Jim to discuss our client VillageCare's property at 45 Rivington Street (Rivington House).

Rivington House was the country's largest AIDS-specific skilled nursing facility and Rivington House, together with its affiliated health care providers in the VillageCare network, is one of the country's oldest and leading AIDS service providers. Rivington House purchased the property (a former school building on the Lower East Side) from the City and constructed the facility in the early 1990s. As set forth below, the need for AIDS nursing homes has dramatically decreased since then, and accordingly, Rivington House has determined that its resources can best be used to serve people living with HIV/AIDS through other programs in the community. Since the facility is on previously owned City property, however, there are some complications in changing its use.

The purchase of the property from the City in 1990 included a restrictive covenant that required the building to be used for not-for-profit residential health care uses. The deed provides that if the property were to be used by Rivington House or sold to a third party for any other type of use a large part of the proceeds would be taken by the City.

Last year DCAS determined that it will remove both of the deed restrictions in consideration for payment by Rivington House of an estimated \$8.25 million (or it will remove one of the restrictions in consideration for payment of \$4.25 million). In that event millions of dollars Rivington House invested in the property will not be accounted for and \$8.25 million will be directed away from much-needed health care programs.

Please let me know when Commissioner Cumberbatch would be available to meet with Jim. This is a pressing matter and Deputy Mayor Barrios-Paoli is expecting to hear back about in the near future.

Best,

Jeremy Orloff
Special Projects Director

Capalino+Company
The Woolworth Building
233 Broadway, Suite 710
New York, NY 10279-0001
Jeremy@Capalino.com
W: 212-616-5836
C: 917-371-8676

Capalino + Company

Memo

To: Commissioner Stacey Cumberbatch

From: James Capalino

Date: February 19, 2014

Re: Rivington House – The Nicholas A. Rango Healthcare Facility

Dear Commissioner Cumberbatch;

I am writing to request your assistance regarding the potential sale of an AIDS nursing home located on the Lower East Side named Rivington House - The Nicholas A. Rango Health Care Facility. Rivington House was the country's largest AIDS-specific skilled nursing facility and Rivington House, together with its affiliated health care providers in the VillageCare network, is one of the country's oldest and leading AIDS service providers. Rivington House purchased the property (a former school building on the Lower East Side) from the City and constructed the facility in the early 1990s. As set forth below, the need for AIDS nursing homes has dramatically decreased since then, and accordingly, Rivington House has determined that its resources can best be used to serve people living with HIV/AIDS through other programs in the community. Since the facility is on previously owned City property, however, there are some complications in changing its use. The main issue is that the property is encumbered by a deed restriction that requires it continue to be used as a restricted facility, even after sale. We ask that this restriction – and the policy of deed restrictions that handicap not-for-profit owners – be reviewed and changed to take into consideration the changing situation of not-for-profits who need to unlock the potential of valuable property to continue their programs at less expensive locations or through altered methods of service delivery.

When Rivington House first opened, there were no other long term care facilities for people living with AIDS and patients were sicker and had fewer options for treatment, as very few anti-retroviral treatments were available and AIDS care needed complex medical management by staff who were comfortable working with people living with HIV. When Rivington House first opened, staff struggled to provide end of life care for most of its residents; its goal was to keep patients and residents as comfortable as possible and to live in dignity before the HIV virus inevitably took their lives. Today, the reality of living with HIV is far different from those early and dark days of AIDS.

As you might imagine, the dramatically improved treatments for HIV have made the need for an AIDS specific nursing facility a thing of the past. Rivington House is struggling to keep its beds full, and accordingly, Rivington House has determined that its resources can best be used to serve persons living with HIV/AIDS through other programs in the community.

The purchase of the property from the City in 1990 included a restrictive covenant that required the building to be used for not-for-profit residential health care uses. The deed provides that if the property were to be used by Rivington House or sold to a third party for any other type of use a large part of the proceeds would be taken by the City. DCAS determined that it will remove both of the deed restrictions in consideration for payment by Rivington House of an estimated \$8.25 million (or it will remove one of the restrictions in consideration for payment of \$4.25 million). In that event millions of dollars Rivington House invested in the property will not be accounted for and \$8.25 million will be directed away from much-needed health care programs.

Capalino + Company

Rivington House and its parent organization VillageCare are looking to sell the property and use the proceeds to operate care management, home-care and out-patient programs (which are subject to budget cuts, as are so many other health care programs). Policy and reimbursement changes underway make the ongoing operation of Rivington House financially unviable due to changes in Medicaid reimbursement (e.g., mandatory managed care enrollment and reductions in the rates of payment to providers). Very soon, Medicaid managed care will include coverage for skilled nursing services. When that happens, we believe that Rivington House will face drastic financial challenges in the operation and sustainability of the facility.

As a result of all this, Rivington House reviewed its many options, based on multiple criteria such as finances, mission, skills, and difficulty of implementing. The options were converting to a 'generic' nursing home, to a mixed use facility, to supportive housing, or selling the facility and using the proceeds for mission-critical programs. After much debate, it was decided that the only viable option is to sell the facility. (I can provide you with greater detail on this decision, which includes very interesting analysis of all the factors.)

A sale would require that the organization's mission still be met, which is caring for persons with HIV/AIDS, the elderly and persons with chronic disabilities, and acting as a safety net for the community. The sale proceeds would be used to provide case management services to Medicaid enrollees with chronic conditions, including HIV/AIDS, to reduce medical costs and improve outcomes, long term care services for the HIV/AIDS Medicaid-eligible population who require long term care services and case management and who can return to or remain in the community, and provide other services through other programs operated by Rivington House and its affiliates (including VillageCare Home Care, VillageCare Rehabilitation and Nursing Center, the VillageCare Diagnostic & Treatment Center, and the AIDS and geriatric Adult Day Health Centers). In addition, proceeds could position VillageCare to pursue other important opportunities to fill the unmet needs of today's vulnerable populations and to continue to be a pioneering and innovative healthcare organization.

As part of the decision-making process an appraiser valued property under two scenarios:

- \$29,595,000 - if sold as a skilled nursing facility with no restrictive covenant requiring it to be operated by a not-for-profit entity (note there have been no nursing home acquisitions by not-for-profit entities in the last several years, but there have been several sales to for-profit entities)
- \$32,200,000 - if sold with no restrictions for the "highest and best" use

For perspective, the fixed asset cost (excluding land) was \$69,648,579 at the end of 2012. This is based on very significant investment made to convert the school to the residential facility, plus continuing investments made over the years.

Additional costs associated with the sale would include:

- Broker fees, legal expenses, etc. of \$600,000 and \$1,000,000
- union pension liabilities of approximately \$18,000,000 (if sold to a nursing home operator, the liability could be avoided if purchaser assumes obligation and future contribution requirement)
- transition expenses (approximately \$3,500,000 if sold to a developer or approximately \$1,000,000 if sold to a nursing home operator who retains some/all of staff and residents)

Based on these projected costs, the owner believes that both its financial condition and mission would best be served if a reputable for-profit nursing home operator purchases the facility and continues to operate it. In either scenario, the community will be best served if VillageCare is able to recoup its capital investment, secure financial viability, and use its expertise in caring for the poor, elderly and chronically ill with strengthened and innovative community-based programs.

I look forward to meeting with you as soon as possible to see how we can find a way to eliminate the taking of a huge portion of the sales price. By allowing VillageCare to keep the proceeds, the funds could be used to continue much-needed programs; if necessary VillageCare will enter into an agreement to use the proceeds for programs, even though it would do so without a binding agreement.

From: Mark Thompson
Sent: Monday, June 02, 2014 8:05 AM
To: 'scumberbatch@dcas.nyc.gov'
Cc: 'jkoch@dcas.nyc.gov'; 'srenfro@dcas.nyc.gov'
Subject: VillageCare follow up

Dear Commissioner Cumberbatch,
Attached please find a brief memo from Jim Capalino regarding Rivington House/VillageCare, along with some financial backup on the situation. This has been sent to Commissioner Banks, too, with a request for a follow-up meeting as soon as possible, since time is of the essence as the facility is winding down.
Thanks again,
Mark

Mark P. Thompson
Executive Vice President
Capalino+Company
The Woolworth Building
233 Broadway, Suite 710
New York, NY 10279
Office: (212) 616-5818
Fax: (212) 616-5830
Cell: (917) 957-8667

Capalino+Company

Memorandum

Date: May 29, 2014
To: Commissioner Steven Banks
From: Jim Capalino

RE: **Rivington House- Disposition of Building**
45 Rivington Street, NYC

The figures in #1 and #2 below indicate that it is not economically viable to convert to and operate as an Assisted Living Program facility. The revenue stream alone shows that the program would operate at a deficit, without even taking into account the costs of converting the facility from its present configuration. Please note that the figures for #1 and #2 are per floor and that the building has multiple floors, so these amounts would need to be multiplied for the total number of floors converted.

1. Estimated Cost to Convert Facility from Skilled Nursing to Assisted Living (ALP) Services

- Construction Hard Costs- (1) Floor: \$2.64MM
- Furniture, Fixtures & Equipment- (1) Floor: \$.63MM
- Soft Costs- (1) Floor: \$.65MM
- **TOTAL COST TO CONVERT:** **\$3.92MM**

2. Projected Revenue/Expenses to Operate as an Assisted Living Program

- Revenue at Max Capacity (50 beds): \$2.24MM
- Anticipated Salaries and Wages: (\$1.04MM)
- Anticipated OTPS Expenses: (\$2.21MM)
- **TOTAL NET OPERATING Surplus/(Deficit):** **(\$1.01MM)**

3. 2013 Facility Operating Costs

- Total Annual Building Expenses: **(\$5.1MM)**

4. Transition Costs to Close the Facility

- Net Revenue Loss (over 7 mos.): **(\$ 7.28MM)**
- Severance Costs (183 FTEs): **(\$ 1.07MM)**
- Pension Liability: **(\$18.10MM)*** payable over 20 years
- **TOTAL TRANSITION COSTS:** **(\$26.45MM)**

If Rivington House could sell its building without the deed restriction, it would be able to recoup the cost to close the facility (\$26.45MM) and use any additional proceeds to convert on-site programs into expanded in-home programming, which aligns with City and State goals.

From: Mark Thompson [mailto:markt@capalino.com]
Sent: Friday, June 06, 2014 3:13 PM
To: Stacey Cumberbatch (DCAS)
Cc: Joey Kara Koch (DCAS); Sally J Renfro (DCAS); Matthew Berk (DCAS)
Subject: VillageCare follow up

Dear Commissioner,

Following some internal discussions regarding the VillageCare/Rivington House, we revised the cost analysis based on the range of floor sizes in the property, since they range from 20,000 sf to 25,000 sf. This increases the potential cost to a new user significantly.

I hope you find this helpful.

Regards,

Mark

Mark P. Thompson
Executive Vice President
[Capalino+Company](#)
The Woolworth Building
233 Broadway, Suite 710
New York, NY 10279
Office: (212) 616-5818
Fax: (212) 616-5830
Cell: (917) 957-8667

RIVINGTON HOUSE- 45 Rivington Street, NYC

CAPITAL BUDGET ESTIMATE

FOR CONVERSION OF ONE FLOOR OF SNF TO ALP

5/29/2014; Revised 6/5/14

	Floor Size SF- High	Floor Size SF- Low	Cost/SF	Cost- High SF	Cost- Low SF	TOTAL- High	TOTAL- Low
5th Floor Renovation (SF indicates SF range in Bldg)	25,010	20,000					
Construction HARD COSTS							
Modify Walls/Partitions/Doors/Ceilings			25	625,250	500,000		
Modify HVAC			7	175,070	140,000		
Modify Sprinklers			3	75,030	60,000		
New Paint and Floor Finishes			5	125,050	100,000		
Replace Lighting			10	250,100	200,000		
Remove Nursing Station			6	150,060	120,000		
Install Smoke Barrier			5	125,050	100,000		
Configure Common Spaces			15	375,150	300,000		
Subtotal				1,900,760	1,520,000		
CM General Conditions			10%	190,076	152,000		
Subtotal				2,090,836	1,672,000		
Contingency			15%	313,625	250,800		
Subtotal				2,404,461	1,922,800		
Insurance			2%	36,067	28,842		
				2,440,528	1,951,642		
Construction Mgmt Fees			8%	195,242	156,131		
TOTAL			105			\$2,635,771	\$2,107,773
Furniture, Fixtures & Equipment (FF&E)			25			\$625,250	\$500,000
SOFT COSTS [A&E Fees +]- percent of Construction and FF&E Costs			20%			\$652,204	\$521,555
TOTAL						\$3,913,225	\$3,129,328

			Percent of Total Cost
Total HARD COSTS	2,635,771	\$2,107,773	67%
Total FF&E	625,250	\$500,000	16%
Total SOFT COSTS	652,204	\$521,555	17%

From: Avi Leshes [<mailto:ALeshes@brooklynchamber.com>]

Sent: Wednesday, October 22, 2014 3:13 PM

To: Ricardo Morales (DCAS)

Subject: Assistance-DCAS Asset Management

Dear Deputy Commissioner Morales,

I hope this email finds you well.

Let me begin by introducing myself; my name is Avi Leshes, and I the Director for Neighborhood Business Services at the Brooklyn Chamber of the Commerce.

I was recently approached by a Chamber member who is having an issue with DCAS that has been ongoing for some time, and I am hoping that you can maybe forward me to the right person on your team who can help to resolve the issue.

The situation is as follows; there is a nursing home that is a not for profit, and was built on a piece of land they received from DCAS some years back. When the deal was completed DCAS added to the deed a stipulation that the property can only be sold to a not for profit entity. Now fast forward, and this nursing home is having major problems, and as a result the nursing home is looking to sell the home and its property in order to stay afloat. A buyer has stepped forward; however they are a for profit entity. The owner has stated that they are willing to keep the nursing home operating and to continue employing the 200 some people who currently work there. However, this deal cannot go through because the nursing home is barred from selling the deed to a for profit entity. The nursing home, its union, and the new owner have been trying for a few years now to get someone at DCAS to sign off on the deal, so that the new owner can come in and provide the necessary resources the nursing home needs in order to stay afloat.

I would really appreciate your assistance on the matter; and as you can imagine this is a time sensitive matter, so any help or input you can provide is truly appreciated.

All the best,

Avi Leshes
Director of Neighborhood Business Services
Brooklyn Chamber of Commerce
335 Adams Street, Suite 2700
Brooklyn, New York 11201
P: 718 875-1000 Ext. 105
F: 718 222 0781
aleshes@brooklynchamber.com
www.ibrooklyn.com



From: Landau, Joel [<mailto:JLandau@caretocare.com>]
Sent: Wednesday, October 29, 2014 1:21 PM
To: Randal Fong (DCAS)
Cc: Avi Leshes
Subject: Rivington
Importance: High

Dear Randy,

It was nice chatting with you earlier today. As discussed, attached is a copy of the resolution from last night's Community Board 3 meeting supporting keeping the nursing and converting this facility from a not for profit to a for profit entity.

I understand from our call today that you need to do an assessment on the situation, so as to determine what is the next step DCAS can take on the matter. I would like to remind you that Village Care is looking to lay off their 250+ employees this coming Friday. Therefore, we are looking to prevent this at all costs, so I would appreciate any expediting you can provide on the matter.

As mentioned, this is supported by the Union and Dept of Health, the local Community Board, 1199, and the State Attorney General. So we are now ready to do whatever we can to move this project forward. I would also like to keep the home as it is, with the continued employment of the 250+ union employees currently working at this facility.

So to confirm, the next steps would be to do an appraisal of the site, hold a public hearing and then have the city lawyers approve the deal. Is this correct?

In the meantime, I would love to setup a call or a meeting between you, myself, 1199, and some additional stakeholders so that we can begin to move this process along.

You can reach me anytime on my cell 718.930.7443

All the best,

Joel Landau
755 Second Avenue 2nd Fl
New York, NY 10017
Direct: (212) 931-9091



THE CITY OF NEW YORK
MANHATTAN COMMUNITY BOARD 3

59 East 4th Street - New York, NY 10003

Phone (212) 533-5300 - Fax (212) 533-3659

www.cb3manhattan.org - info@cb3manhattan.org

Gigi Li, Board Chair

Susan Stetzer, District Manager

October 29, 2014

Mr. Matthew Lesieur
VillageCare
120 Broadway, Suite 2840
New York, NY 10271

Dear Mr. Lesieur,

At its October 2014 monthly meeting, Community Board 3 passed the following resolution:

VOTE: Community Board 3 Resolution to Support Converting Rivington House to a General Nursing Home with Maximum Beds, Accessible to All in the Community

WHEREAS, Community Board 3, Manhattan values its community facilities that serve our community, especially the underserved who are most vulnerable, and

WHEREAS, in the last few years, CB 3 has lost its nursing homes, namely Cabrini with its 240 beds and Bialystoker with its 95 beds, comprising a total of 335 nursing home beds lost, and

WHEREAS, Community Board 3 appreciates Rivington House's ("RH") service to patients with AIDS needing skilled nursing services in a skilled nursing facility, but has learned from RH that it is closing its facility, which will result in the loss of an additional 219 beds in our community, and

WHEREAS, Community Board 3 believes that people without the financial or other ability to receive home care, and in need of both short term and long term care, should be able to remain in their community, supported by friends and family, and

WHEREAS, CB 3 believes that nursing home care should be available to all in the community in need of such care, regardless of their ability to pay or insurance status or any other reason, so

THEREFORE BE IT RESOLVED, that CB 3 supports the conversion of RH beds to general nursing home beds available to those needing nursing home care, including people with AIDS needing skilled or specialized care, and

THEREFORE BE IT FURTHER RESOLVED, that CB 3 also supports allowing the maximum number of nursing homes beds (219 beds) in the new nursing home facility that will replace Rivington House, and

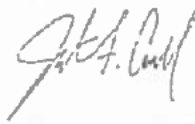
THEREFORE BE IT FURTHER RESOLVED, that CB 3 supports all nursing home beds being made available to all in the community in need of such services, regardless of their ability to pay, insurance status, or any other reason.

If you have any questions, please contact the office.

Sincerely,



**Gigi Li, Chair
Community Board 3**



**Justin Carroll, Chair
Human Services Committee**

**Cc: Tommy Lin, Office of the Mayor
Alize Beal, Mayor's Office of Community Affairs
Zachary Bommer, Office of Assembly Member Sheldon Silver
Mauricio Pazmino, Office of Senator Daniel Squadron
Patricia Ceccarelli, Office of Manhattan Borough President Gale Brewer
Yume Kitasei, Office of Council Member Margaret Chin
Dyani Richberg, VillageCare
Emma Devito, VillageCare**

From: Landau, Joel <JLandau@caretocare.com>
Sent: Friday, October 31, 2014 8:59 AM
To: Randal Fong (DCAS)
Subject: FW: CB 3 Manhattan October Resolution re: Rivington House
Attachments: CB 3 Resolution to Support Converting Rivington House to General Nursing Home_10.14.pdf

Randy, please see attached copy of what was sent to the mayor's office

From: Susan Stetzer [<mailto:ssetzer@cb3manhattan.org>]
Sent: Wednesday, October 29, 2014 4:07 PM
To: Landau, Joel
Subject: FW: CB 3 Manhattan October Resolution re: Rivington House

fyi

Susan Stetzer
District Manager
Community Board 3, Manhattan
212-533-6015
www.cb3manhattan.org

Please visit the CB 3 website to join the new e-mail list.

From: Juliana R Dubovsky [<mailto:jdubovsky@cb3manhattan.org>]
Sent: Wednesday, October 29, 2014 4:03 PM
To: MatthewL@villagecare.org
Cc: ssetzer@cb3manhattan.org; DyaniR@villagecare.org; EMMAD@villagecare.org; 'Zachary Bommer'; Mauricio Pazmino; Kitasei, Yume; Alize Beal; Tommy Lin
Subject: CB 3 Manhattan October Resolution re: Rivington House

Dear Mr. Lesieur,

Please see the attached resolution from Community Board 3 in support of converting Rivington House to a general nursing home, and feel free to contact the community board office with any questions.

Sincerely,

Juliana R. Dubovsky
Assistant District Manager
Manhattan Community Board 3
Phone: 212-533-5300 – ext. 205
Email: jdubovsky@cb3manhattan.org
www.cb3manhattan.org

Please visit the CB 3 website to join the new e-mail list.

the use of the recipient(s) named above. If you are not the intended recipient, you are hereby notified that any review, disclosure, dissemination, distribution, duplication or any action omitted or taken in reliance on this communication is strictly prohibited and may be unlawful. If you received this communication in error, please contact the sender immediately at (212) 747-1000 and permanently destroy all instances of this communication as well as any attachments.



THE CITY OF NEW YORK
MANHATTAN COMMUNITY BOARD 3

59 East 4th Street - New York, NY 10003

Phone (212) 533-5300 - Fax (212) 533-3659

www.cb3manhattan.org - info@cb3manhattan.org

Gigi Li, Board Chair

Susan Stetzer, District Manager

October 29, 2014

Mr. Matthew Lesieur
VillageCare
120 Broadway, Suite 2840
New York, NY 10271

Dear Mr. Lesieur,

At its October 2014 monthly meeting, Community Board 3 passed the following resolution:

VOTE: Community Board 3 Resolution to Support Converting Rivington House to a General Nursing Home with Maximum Beds, Accessible to All in the Community

WHEREAS, Community Board 3, Manhattan values its community facilities that serve our community, especially the underserved who are most vulnerable, and

WHEREAS, in the last few years, CB 3 has lost its nursing homes, namely Cabrini with its 240 beds and Bialystoker with its 95 beds, comprising a total of 335 nursing home beds lost, and

WHEREAS, Community Board 3 appreciates Rivington House's ("RH") service to patients with AIDS needing skilled nursing services in a skilled nursing facility, but has learned from RH that it is closing its facility, which will result in the loss of an additional 219 beds in our community, and

WHEREAS, Community Board 3 believes that people without the financial or other ability to receive home care, and in need of both short term and long term care, should be able to remain in their community, supported by friends and family, and

WHEREAS, CB 3 believes that nursing home care should be available to all in the community in need of such care, regardless of their ability to pay or insurance status or any other reason, so

THEREFORE BE IT RESOLVED, that CB 3 supports the conversion of RH beds to general nursing home beds available to those needing nursing home care, including people with AIDS needing skilled or specialized care, and

THEREFORE BE IT FURTHER RESOLVED, that CB 3 also supports allowing the maximum number of nursing homes beds (219 beds) in the new nursing home facility that will replace Rivington House, and

THE CITY OF NEW YORK
MANHATTAN COMMUNITY BOARD 3

THEREFORE BE IT FURTHER RESOLVED, that CB 3 supports all nursing home beds being made available to all in the community in need of such services, regardless of their ability to pay, insurance status, or any other reason.

If you have any questions, please contact the office.

Sincerely,



Gigi Li, Chair
Community Board 3



Justin Carroll, Chair
Human Services Committee

Cc: Tommy Lin, Office of the Mayor
Alize Beal, Mayor's Office of Community Affairs
Zachary Bommer, Office of Assembly Member Sheldon Silver
Mauricio Pazmino, Office of Senator Daniel Squadron
Patricia Ceccarelli, Office of Manhattan Borough President Gale Brewer
Yume Kitasei, Office of Council Member Margaret Chin
Dyani Richberg, VillageCare
Emma Devito, VillageCare

From: Avi Leshes <ALeshes@brooklynchamber.com>
Sent: Wednesday, November 05, 2014 11:23 AM
To: Randal Fong (DCAS)
Subject: RE: Rivington

Dear Randy,

How are you? I hope all is well.

I am just following up to our conversation we had last week. I am just checking in to see if this project has proceeded forward, if not, what are you missing in order to move it forward? What can I do to assist?

All the best, and looking forward to touching base with you soon.

Avi Leshes
Director of Neighborhood Business Services
Brooklyn Chamber of Commerce
335 Adams Street, Suite 2700
Brooklyn, New York 11201
P: 718 875-1000 Ext. 105
F: 718 222 0781
aleshes@brooklynchamber.com
www.ibrooklyn.com



From: Landau, Joel [<mailto:JLandau@caretocare.com>]
Sent: Wednesday, October 29, 2014 1:21 PM
To: rfong@dcas.nyc.gov
Cc: Avi Leshes
Subject: Rivington
Importance: High

Dear Randy,

It was nice chatting with you earlier today. As discussed, attached is a copy of the resolution from last night's Community Board 3 meeting supporting keeping the nursing and converting this facility from a not for profit to a for profit entity.

I understand from our call today that you need to do an assessment on the situation, so as to determine what is the next step DCAS can take on the matter. I would like to remind you that Village Care is looking to lay off their 250+ employees this coming Friday. Therefore, we are looking to prevent this at all costs, so I would appreciate any expediting you can provide on the matter.

As mentioned, this is supported by the Union and Dept of Health, the local Community Board, 1199, and the State Attorney General. So we are now ready to do whatever we can to move this project forward. I would also like to keep the home as it is, with the continued employment of the 250+ union employees currently working at this facility.

So to confirm, the next steps would be to do an appraisal of the site, hold a public hearing and then have the city lawyers approve the deal. Is this correct?

In the meantime, I would love to setup a call or a meeting between you, myself, 1199, and some additional stake holders so that we can begin to move this process along.

You can reach me anytime on my cell 718.930.7443

All the best,

Joel Landau
755 Second Avenue 2nd Fl
New York, NY 10017
Direct: (212) 931-9091
Fax: (212) 659-0142
E-mail: JLandau@caretocare.com

This communication and its attachments may contain privileged and confidential information, including protected health information (PHI) protected by federal and state privacy laws. It is intended solely for the use of the recipient(s) named above. If you are not the intended recipient, you are hereby notified that any review, disclosure, dissemination, distribution, duplication or any action omitted or taken in reliance on this communication is strictly prohibited and may be unlawful. If you received this communication in error, please contact the sender immediately at (212) 747-1000 and permanently destroy all instances of this communication as well as any attachments.

This communication and its attachments may contain privileged and confidential information, including protected health information (PHI) protected by federal and state privacy laws. It is intended solely for the use of the recipient(s) named above. If you are not the intended recipient, you are hereby notified that any review, disclosure, dissemination, distribution, duplication or any action omitted or taken in reliance on this communication is strictly prohibited and may be unlawful. If you received this communication in error, please contact the sender immediately at (212) 747-1000 and permanently destroy all instances of this communication as well as any attachments.

From: jlandau@caretocare.com [mailto:mailto:no-reply@evernote.com]
Sent: Monday, December 01, 2014 10:53 AM
To: Randal Fong (DCAS)
Subject: Here is my contact info

It was nice meeting you. Here is my contact info.



Joel Landau
Managing Director
Pinta Partners

Email

jlandau@caretocare.com

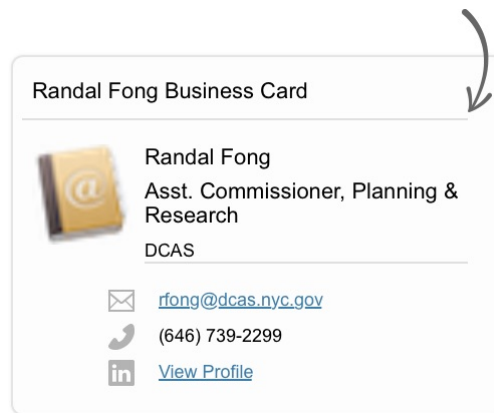
LinkedIn

[View Profile](#)

Make your business cards searchable with Evernote.

Turn physical business cards into searchable notes enhanced with LinkedIn information.





Download Evernote

Evernote helps you remember everything and get organized effortlessly. **Download Evernote.**

From: Emma Devito [mailto:EMMAD@villagecare.org]
Sent: Thursday, December 04, 2014 9:08 AM
To: Randal Fong (DCAS)
Cc: Richard Friedman (DCAS); Landau, Joel
Subject: Rivngton House

As per your request attached please find an update on Rivington House.

Please do not hesitate to contact me, if you need additional information.

Thanks,
Emma

This message is confidential, intended only for the named recipients(s) and may contain information that is privileged or exempt from disclosure under applicable law. If you are not the intended recipients(s), you are notified that the dissemination, distribution or copying of this message is strictly prohibited. If you receive this message in error, or are not the named recipient(s), please notify the sender at the e-mail address above and delete this e-mail from your computer. Thank you.



Corporate Office

120 Broadway, Suite 2840
New York, New York 10271
tel 212.337.5600
www.villagecare.org

David H. Sidwell
Chairman

Emma DeVito
President & CEO

FOR BETTER HEALTH AND WELL-BEING

MEMORANDUM

Date: December 3, 2014

To: Mr. Randal Fong, Assistant Commissioner, Planning and Research
Citywide Administrative Services
1 Centre St., 17th Fl., Municipal Building, New York, NY, 10007

Residential Care

Rivington House
VillageCare Rehabilitation
and Nursing Center
46 & Ten

From: Emma DeVito, CEO

RE: Rivington House

Community Care

Adult Day Health Care
AIDS Day Treatment
Community Care
Management
Home Care
Health Center
The Momentum Project

Good morning Assistant Commissioner Fong, thank you for taking the time yesterday to speak with me and with Mr. Joel Landau. As per your request here is a brief summary of the status of Rivington House.

*We completed a RFP process conducted by our Consultants Loeb and Troper.

*After a thorough detailed analysis of all of the bids received it was determined that Mr. Landau's bid was the best one not only in keeping with our mission to provide needed services to the community but it retained all of the union staff, approximately 200 employees. It was very important for us to preserve the jobs of the staff at Rivington House.

*Mr. Landau had the ability to close the transaction by the end of this year. Mr. Landau operates a number of facilities, has a good track record as an operator with the State and has developed a very good relationship with 1199.

We have received support from the community, the Attorney General and the Department of Health have both provided approval to move forward with the transaction.

Mr. Landau is interested in removing the restriction on the Rivington House deed; in the meantime he has agreed to move forward with the transaction. However, Joel wants to understand the requirements to lift the restriction and the formula used to determine the cost that will be incurred.

As discussed yesterday, we will appreciate it if you could share with us the appraisal and the anticipated cost to remove the restriction, as well as any other relevant information.

Thank you for your for help and support.

Emma

CC: Richard Friedman, Asst. Commissioner, Real Estate Financial Services
David R. Morris Deputy Chief Asset Management Officer, Leasing
Joel Landau

Stacey Cumberbatch
Commissioner

Ricardo E. Morales
Deputy Commissioner
Asset Management

1 Centre Street
20th Floor
New York, NY 10007

212 386 6368 tel
nyc.gov/dcas

Emma DeVito
President & CEO
Village Care
120 Broadway, Suite 2840
New York, NY 10271

January 9, 2015

Re: 45 Rivington Street
Block 420, Lot 47
Borough of Manhattan ("Property")

Dear Ms. DeVito:

This is a reply to your 12/03/2014 letter and other ongoing communications with the Department of Citywide Administrative Services (DCAS). Most recently, on 12/24/2014, you advised DCAS by phone that Village Care, representing the owner of the Property, seeks to remove the use and development restrictions from this Property that was conveyed by the City of New York to Rivington House Health Care Facility on 12/03/1992.

Based on the review of your request as owner, and subject to the events and conditions outlined below, DCAS can proceed with the process to remove the restrictive covenant that limit use and development of the Property to a Not-For-Profit "Residential Health Care Facility" (as such term is defined in the New York State Public Health Law), (the "Use and Development Restrictions"). This process to remove such Use and Development Restrictions has several steps and may take several months to complete. These steps are highlighted below:

1. Land use analysis to support removal of the Use and Development Restrictions. *This analysis is complete.*
2. Appraisal conducted by DCAS to determine the value of the Use and Development Restrictions for which removal is sought. As you know, as they currently exist, the Use and Development Restrictions are covenants that run with the land in perpetuity, as cited in the deed in Condition 1. The value to remove the Not-For-Profit Residential Health Care Facility restrictions is \$16,150,000. *This appraisal is complete.*
3. Acceptance in writing of the required value by the owner.
4. Approval of disclosure documents submitted by the owner. *Documents are enclosed.*
5. Public hearing conducted by the Mayor's Office of Contract Services.
6. Receipt of Mayoral Authorization Document.
7. Payment by the owner and deed modification by the Law Department.

Please confirm in writing that you agree to the value to remove the restrictions. In addition, please submit completed disclosure documents expeditiously. Upon receipt of the value confirmation and disclosure documents, DCAS will prepare to schedule the public hearing. If you have any further questions, please contact me at (212) 386-0618.

Sincerely,


Randal Fong
Assistant Commissioner

Enclosure: Disclosure Documents

C: Paul Costa
Matthew Berk

From: Emma Devito [<mailto:EMMAD@villagecare.org>]
Sent: Wednesday, February 04, 2015 5:09 PM
To: Randal Fong (DCAS)
Cc: Paul Costa (DCAS)
Subject: RE: Rivngton House ((1-420-47))

Hello Randy thank you for following up, we are still reviewing hopefully will have board decision by the time you get back, I appreciate having Paul as a contact person.

Enjoy your time off!

Emma

From: Randal Fong (DCAS) [<mailto:rfong@dcas.nyc.gov>]
Sent: Wednesday, February 04, 2015 4:39 PM
To: Emma Devito
Cc: Paul Costa (DCAS)
Subject: RE: Rivngton House ((1-420-47))

Hi Emma--

I just wanted to be in touch since I haven't heard from you. I'm away on vacation for 10 days but Paul Costa (212/386-0620) will be available if you have any questions or concerns.

-- Randy

From: Emma Devito [<mailto:EMMAD@villagecare.org>]
Sent: Monday, January 12, 2015 11:56 AM
To: Randal Fong (DCAS)
Subject: RE: Rivngton House ((1-420-47))

Randy many thanks for getting this out to me, I really appreciate your help, we will be in touch.

Emma

From: Randal Fong (DCAS) [<mailto:rfong@dcas.nyc.gov>]
Sent: Friday, January 09, 2015 4:07 PM
To: Emma Devito
Subject: RE: Rivngton House ((1-420-47))

Emma--

Please see attached letter ("response") and additional disclosure documents. Please let me know if you have additional questions.

--Randy

Randal Fong | Assistant Commissioner, Planning
P: (212) 386-0618 | F: (212) 313-3469 | rfong@dcas.nyc.gov



Citywide
Administrative
Services

Asset
Management

From: Emma Devito [<mailto:EMMAD@villagecare.org>]
Sent: Thursday, December 04, 2014 9:08 AM
To: Randal Fong (DCAS)

Cc: Richard Friedman (DCAS); Landau, Joel
Subject: Rivngton House

As per your request attached please find an update on Rivington House.

Please do not hesitate to contact me, if you need additional information.

Thanks,
Emma

This message is confidential, intended only for the named recipients(s) and may contain information that is privileged or exempt from disclosure under applicable law. If you are not the intended recipients(s), you are notified that the dissemination, distribution or copying of this message is strictly prohibited. If you receive this message in error, or are not the named recipient(s), please notify the sender at the e-mail address above and delete this e-mail from your computer. Thank you.

From: Landau, Joel [<mailto:JLandau@caretocare.com>]

Sent: Tuesday, March 24, 2015 9:35 PM

To: David Morris (DCAS)

Cc: Randal Fong (DCAS)

Subject: Rivington House

David, as we discussed please find attached the independent appraisal the board has obtained. Please advised what form we need to fill out to protest?

Joel Landau

This communication and its attachments may contain privileged and confidential information, including protected health information (PHI) protected by federal and state privacy laws. It is intended solely for the use of the recipient(s) named above. If you are not the intended recipient, you are hereby notified that any review, disclosure, dissemination, distribution, duplication or any action omitted or taken in reliance on this communication is strictly prohibited and may be unlawful. If you received this communication in error, please contact the sender immediately at (212) 747-1000 and permanently destroy all instances of this communication as well as any attachments.

**APPRAISAL OF
PROPERTY LOCATED AT
45 RIVINGTON STREET
NEW YORK, NEW YORK**

BLOCK 420, LOT 47

VALUATION AS OF OCTOBER 8, 2014

THIS IS AN UPDATE APPRAISAL OF THE PROPERTY (A SKILLED NURSING FACILITY) KNOWN AS THE RIVINGTON HOUSE, ALSO KNOWN AS THE NICHOLAS A. RANGO SKILLED NURSING FACILITY. THIS UPDATE IS STRICTLY LIMITED TO THE VALUE AS A NOT-FOR-PROFIT, SKILLED NURSING FACILITY.

Prepared for

Nancy Schwartz Weinstock
Vice President for Legal Affairs and General Counsel
Village Care
154 Christopher Street
New York, New York 10014

Prepared by

JEROME HAIMS REALTY, INC.
630 Third Avenue, 22nd Floor
New York, New York 10017

TABLE OF CONTENTS

	<u>Page No.</u>
Title Page	i.
Table of Contents	ii.
Letter of Transmittal	1
Summary of Salient Facts and Conclusions.....	4
Underlying Assumptions and Limiting and Qualifying Conditions.....	5
Extraordinary Assumptions/Restrictions	6
Dates of Report, Inspection and Valuation	7
Identification of the Subject Property	7
Purpose of the Appraisal	7
Intended Use and User of the Appraisal Report	7
Scope of Work.....	8
Definitions of Interest Appraised and Exposure Time.....	10
Definition of Market Value	11
Regional and Area Analysis	13
Neighborhood Map.....	60
Neighborhood Analysis	63
Plot Plan.....	67
Description of Property.....	68
Zoning Map	78
Zoning Analysis	79
Assessed Value and Real Estate Tax Analysis.....	80
History of the Subject Property.....	82
Highest and Best Use Analysis	83

VALUATION:

Introduction	86
Income Capitalization Approach.....	88
Statements of Income and Retained Earnings for the Years Ended 2008, 2009, 2010, 2011, 2012 and 2013	89
Part One: Discussion of Income and Expense Statements	90
Part Two: Direct Sales Comparison Approach	94
Summary of Values and Reconciliation.....	96
Certification	97

ADDENDA:

Overview of Nursing Facility Capacity, Financing and Ownership in the United States in 2011	98
HIV Screening and Access to Care.....	112
Are State Medicaid Managed Care Programs Ready for 2014?	129
What is Medicaid Managed Care?	140
Comparable Sales	151
Qualifications of Appraisers	161

JEROME HAIMS REALTY, INC.
REAL ESTATE APPRAISERS & CONSULTANTS
630 THIRD AVENUE, NEW YORK, NY 10017
212-687-0154, FAX 212-986-4017

October 20, 2014

Nancy Schwartz Weinstock
Vice President for Legal Affairs and General Counsel
Village Care
154 Christopher Street
New York, New York 10014

Re: Update to
Appraisal of
Rivington House
at 45 Rivington Street
a/k/a The Nicholas A. Rango
Skilled Nursing Facility
New York, New York
Block 420, Lot 47

Dear Ms. Weinstock:

As per your request and in accordance with our agreement, we have prepared this update to our prior appraisal (dated June 10, 2013), of the above-referenced property. That property consists of a five-story and partial six-story, steel and masonry structure, built in 1900 as a public school and converted in 1995 into a 219-bed skilled nursing facility (SNF), known as the Rivington House/The Nicholas A. Rango Health Care Facility. We have discussed that no changes have occurred to the physical plant. Therefore, by agreement, we have not reinspected the property for this update appraisal. All other aspects of this update are current, based on current research and analyses.

The entire plot has an area of 25,010 square feet (per New York City records), while the improvement has a total gross building area (GBA) of 107,346 square feet, including the 5,000-square foot one-story extension on Forsyth Street. The property is in the Lower East Side area of the borough of Manhattan, located on the full blockfront of Rivington Street, between Forsyth and Eldridge Streets.

The property is within a C4-4A zoning designation, which allows a wide group of commercial and residential uses, at a 4.0 FAR. See *Zoning Analysis* discussion and *Highest and Best Use Analysis* sections in body of attached report for additional details.

**Nancy Schwartz Weinstock
Vice President for Legal Affairs and General Counsel
Village Care**

**Re: Rivington House
45 Rivington Street
a/k/a the Nicholas A. Rango Skilled Nursing Facility
New York, New York**

2.

The subject site is "L" shaped, with the inclusion of the original improvement on Rivington Street plus an attached, one-story, garage type structure on Forsyth Street. That one-story structure includes four gas-fired co-generators which can provide heat, hot water and electricity during optimal periods.

The purpose of this update appraisal is to provide the value solely as a not-for-profit SNF (a nursing home).

We note that, based on our current research, at this time, demand for the skilled nursing services provided at the subject Rivington House has greatly diminished. This has been considered in our analysis of the value of the property.

Based on our analysis of the New York City nursing home industry, coupled with a review of current federal and New York State reimbursement rates, as well as our analysis of the subject property financial statements for the past five years, we conclude to the following value:

As a not-for-profit SNF, as of October 8, 2014: \$22,900,000.

We are pleased to provide you with this update appraisal report. Please call us with any questions relative to this assignment.

Very truly yours,

JEROME HAIMS REALTY, INC.



Sheldon Gottlieb, MAI
Senior Vice President
and Chief Appraiser
Certified New York State
General Real Estate Appraiser
Certificate No. 46000000579

HM

JEROME HAIMS REALTY, INC.

3.



View of 45 Rivington Street ¹

¹ Photo per Google Earth

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

<u>Address:</u>	45 Rivington Street; New York, New York
<u>Property Name:</u>	Rivington House a/k/a the Nicholas A. Rango Skilled Nursing Facility
<u>Description:</u>	The property consists of a five-story and partial six-story, steel and masonry structure, built in 1900 as a public school and converted in 1995 into a 219-bed skilled nursing facility (SNF).
<u>Location:</u>	The property is in the Lower East Side area of the borough of Manhattan, located on the full blockfront of Rivington Street, between Forsyth and Eldridge Streets.
<u>Site Shape:</u>	The subject site is "L" shaped, with the inclusion of the original improvement on Rivington Street plus an attached, one-story, garage type structure on Forsyth Street.
<u>Plot Area:</u>	The entire plot has an area of 25,010 square feet (per New York City records).
<u>Gross Building Area:</u>	The improvement has a total gross building area (GBA) of 107,346 square feet, including the 5,000-square foot one-story extension on Forsyth Street.
<u>Zoning/FAR:</u>	The property is within a C4-4A zoning designation, which allows a wide group of commercial and residential uses, at a 4.0 FAR.
<u>Highest and Best Use:</u>	Pursuant to the guidelines set forth for this appraisal, including retaining the existing SNF use, the highest and best use is as a not-for-profit SNF.
<u>Date of Appraisal:</u>	October 20, 2014
<u>Inspection Date:</u>	May 14, 2013
<u>Date of Report:</u>	October 20, 2014
<u>Value:</u>	As a not-for-profit SNF, (as per analysis of actual income and expenses), \$22,900,000

**UNDERLYING ASSUMPTIONS AND
LIMITING AND QUALIFYING CONDITIONS**

This appraisal is subject to the following Underlying Assumptions and Qualifying and Limiting Conditions:

1. The appraisal covers the property as described in this report, and the areas and dimensions as shown herein are assumed to be correct.
2. The appraisers have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
3. Responsible ownership and competent management are assumed.
4. No responsibility is assumed for matters involving legal or title consideration.
5. This report has been prepared in accordance with the requirements of the Appraisal Institute.
6. The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed.
7. That the present zoning will remain in force, unless otherwise adjusted in the zoning section of this report.
8. That the appraisal report will not be utilized in any present or proposed public or private syndication of any of the interests in the property unless prior written agreement has been obtained from the signatories to this report.
9. The Bylaws and Regulations of the Appraisal Institute require each member and candidate to control the use and distribution of each appraisal report signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of this appraisal report, in its entirety, to such third parties as may be selected by the party for whom this appraisal report shall be given to third parties without the prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media sales media or other media for public communication without the prior written consent of the signatories of this appraisal report.

10. The appraisers are authorized by the client to disclose all or any portions of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraisers to comply with the Bylaws and Regulations of the Institute now or hereafter in effect.
11. The appraisers are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have been previously made therefore.
12. Unless stated otherwise, the appraisers have not learned of any asbestos, hazardous waste or toxic material in existence at the subject property. In any event, the appraisers are not qualified to detect such substances and suggest that a qualified expert be employed for this procedure. The appraisal and indicated value, therefore, do not consider any costs to correct that which may arise from any hazardous material which may be found to exist at the property, unless separately noted herein.
13. Unless stated otherwise in the appraisal, the appraisers have not considered compliance with the requirements of the Americans With Disabilities Act of 1990 (ADA) in the estimate of value in this appraisal. The appraisers are not qualified to determine such compliance and recommend a qualified expert to be employed for this procedure. Failure to comply with the requirements of the ADA, including the costs to cure any non-complying items, can negatively affect the value estimated herein.
14. All of the facts, conclusions and observations contained herein are consistent with information available as of the date of the report. The value of real estate is affected by many related and unrelated economic conditions, local and national. The real estate market is constantly fluctuating and changing. We cannot predict nor in any way warrant the conditions of a future real estate market; the appraiser can only reflect what the investment community, as of the date of the appraisal, envisions for the future in terms of rental rates, expenses, supply and demand.
15. Acceptance and/or use of this appraisal report by the client and/or any third party constitutes acceptance of the stated limiting conditions and assumptions. The appraisers' and/or reviewers' responsibility and liability extends only to the stated client, not to subsequent parties or users, and is limited to the amount of the fee received by the appraisers in conjunction with performance of this appraisal and related consulting services and/or court preparation, deposition, and testimony.

EXTRAORDINARY ASSUMPTIONS/RESTRICTIONS

The value herein is based solely on the existing use, restricted to a not-for-profit SNF. The property may have potential for conversion to an alternate use, but, by request of the client, that alternate value is not included here. Value is also predicated on the assumption that new managed care regulations will result in a similar cash flow to prior historical amounts.

DATES OF REPORT AND INSPECTION

The date of this appraisal report is October 20, 2014. The date of our original inspection of the property occurred on May 14, 2013. By agreement, we have not re-inspected the interior of the improvement. There have been no changes to the property since our original inspection.

DATE OF VALUATION

The date of value is October 8, 2014.

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is known as Rivington House/The Nicholas A. Rango Health Care Facility and is addressed as 45 Rivington Street, New York, New York. It is designated on the Manhattan tax maps as Block 420, Lot 47.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide our client with our opinion of the value solely as a "not for profit" skilled nursing facility.

INTENDED USE AND USER OF THE APPRAISAL REPORT

The intended use of the appraisal report is for purposes related to a sale of the property. The intended user of the appraisal report is our client, Ms. Nancy Schwartz Weinstock, Vice President for Legal Affairs and General Counsel of Village Care.

SCOPE OF WORK

According to the Uniform Standards of Professional Appraisal Practice and Advisory Opinions (USPAP), effective July 1, 2006, scope of work is defined as "the type and extent of research and analyses in an assignment."

The scope of work in this appraisal assignment included:

- Review of a prior personal exterior and interior inspection of the subject property on May 14, 2013, and a review of various New York City records (including deeds, Department of Building data, plot plans and tax maps), in order to gather information about the physical and legal characteristics of the subject property that are relevant to the valuation problem;
- An analysis of regional and local area characteristics and trends, including the demand for beds in a skilled nursing facility, as of the October 8, 2014, date of value;
- An analysis of the subject property's current zoning;
- An analysis of the potential available FAR at the subject site, based on the zoning analysis;
- A discussion of the highest and best use for the property, although keeping the focus of the value on the existing not-for-profit SNF;
- Analysis of reimbursement rates, operating expenses and typical rate of return for skilled nursing facilities, to properly analyze and capitalize the projected net income into value as a skilled nursing facility; and
- The reporting of our opinion in a comprehensive report format, as requested by our client.

SCOPE OF WORK (continued)

All three traditional approaches to value, the Income Capitalization Approach, the Sales Comparison Approach and the Cost Approach have been considered and investigated. The Sales Comparison Approach was used as a test to value the subject property as a SNF, due to the lack of substantial appropriate market data on these types of facilities.

The Income Capitalization Approach is applied in the analysis of the existing income and expenses as an operating skilled nursing facility. We recognize that the operating costs are extremely high, in order to comply with all of the various regulations and requirements of this type of specialized health care facility.

The Cost Approach is not applicable to the subject property due to the fact that the physical structure is now more than 110 years old (although having been extensively rehabilitated and converted in 1995 to a skilled nursing facility). The extent of depreciation precludes the use of the Cost Approach in this situation.

DEFINITION OF INTEREST APPRAISED

We have valued the subject's fee simple estate.

A fee simple estate is defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

DEFINITION OF EXPOSURE TIME

We estimate that, for the type of analysis presented herein, the exposure time on the market would be approximately six months.

² The Dictionary of Real Estate Appraisal, 5th ed., Appraisal Institute, Chicago, Illinois, 2010, p. 78

DEFINITION OF MARKET VALUE³

The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.

1. The most widely accepted components of market value are incorporated in the following definition: the most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.
2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:
 - Identification of the specific property rights to be appraised.
 - Statement of the effective date of the value opinion.
 - Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
 - If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other specific incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

³ The Dictionary of Real Estate Appraisal, 5th ed., Appraisal Institute, Chicago, Illinois, 2010, pp. 122-123

3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus, implicit in this definition is the consummation of a sale of a specified date and the passing of title from seller to buyer under conditions whereby:
 - Buyer and seller are typically motivated;
 - Both parties are well informed or well advised, and acting in what they consider their best interests;
 - A reasonable time is allowed for exposure in the open market;
 - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
4. The International Valuation Standards Council defines *market value* for the purpose of international standards as follows: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.
5. Market value is the amount in cash, or on terms reasonably equivalent to each, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.

REGIONAL AND AREA ANALYSIS

New York City is the largest city in the United States, located at the intersection of the southeast corner of New York State's main land mass, the western end of Long Island and New York Harbor. The total area is 468.5 square miles, of which 302.6 square miles is land and 165.8 square miles is water. New York City is a major world capital and the center of commerce, finance, arts, fashion, communications, and entertainment. The high-tech industry is also a growing sector that is impacting the real estate market.

The city is comprised of five boroughs, which are also counties: Manhattan (New York County), Bronx (Bronx County), Brooklyn (Kings County), Queens (Queens County), and Staten Island (Richmond County). The Bronx is the most northerly borough and the only borough that is not separated from the New York State mainland by water. Manhattan and Staten Island are completely surrounded by water, while Brooklyn and Queens are situated on the western part of Long Island. The city's strategic location and emergence as a large port complex on the east coast has contributed to its reputation as the business center of the nation. The city is home to the United Nations and 45 Fortune 500 Companies, more than any other city in the United States. The popularity and configuration of the area has made land scarce and has encouraged a high population density within the city.

New York City is unlike any other major city in the United States because public transportation is the most popular way to get around and, therefore, most areas are well served by mass transit. Over 50% of the city's population commutes to work with mass transit, which is in stark contrast to the rest of the nation, in which approximately 90% of commuters drive to work. The New York City Subway is the largest rapid transit system in the world when measured by number of stations in operation (468) and is the third largest when measured by annual ridership (approximately 1.5 billion passenger trips per year). The subway system is also notable because nearly all of the system remains open 24 hours per day, in contrast to overnight shutdowns common in other major cities like Washington, D.C., London, Paris, and Tokyo.